

January 12, 2009* Special Mailing to all single member LLCs and L3Cs currently active on CATS
(*Rescinded/replaced on January 27, 2009; see below)

**CHANGE IN UNEMPLOYMENT TAX WAGE REPORTING FOR
SINGLE MEMBER LIMITED LIABILITY COMPANIES ("LLCs"), LOW PROFIT LIMITED LIABILITY
COMPANIES ("L3Cs"), AND QUALIFIED SUBCHAPTER S SUBSIDIARIES (QSubs")**

In conformity with new US Internal Revenue Service Rules that become effective on January 1, 2009, **single member** Limited Liability Companies ("LLCs"), Low Profit Liability Companies ("L3Cs") and qualified Subchapter S subsidiaries ("QSubs") must report wages at the entity level. Such **single member** entities may no longer elect to report wages as a sole proprietor/owner. In other words, effective January 1, 2009 all **single member** LLCs, L3Cs and QSubs must report, at the entity level, all remuneration for services performed for the entity, including such remuneration paid to the single member of that entity.

The purpose of this change is to conform state unemployment tax wage reporting requirements to new IRS rules regarding Federal Unemployment Tax Act (FUTA) wage reporting requirements for such single-member entities, which rules will be in force as of January 1, 2009.

Accordingly, starting January 1, 2009, all remuneration (wages) paid to the single member or principal of such entities must be reported on the Employer's Quarterly Wage and Contribution Report.

References in this matter are Internal Revenue Bulletin (IRB) No. 2007-39; IRB 2005-45 (Notice of Proposed Rule Making); IRB No. 1999-3 (Notice 99-6, which will expire on January 1, 2009); 26 CFR Part 1 (Income Taxes); 26 CFR 1.1401 (Tax on Self-Employment Income); 26 CFR Parts 31 through 39 (Employment Taxes and Collection of Income Tax at Source); 26 CFR Part 301 (Procedure and Administration)

If you have any questions, please contact the Status unit at 802 828-4344 between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, Eastern Standard Time.

Revised special mailing to all single member LLCs and L3Cs currently active on CATS

January 27, 2009 REVISED LLC, L3C, QSub Mailer

IMPORTANT NOTICE

The January 12, 2009 notice the Vermont Department of Labor mailed regarding reporting of wages for the single member of an LLC, L3C, or QSub is hereby rescinded and replaced with the following.

Effective January 1, 2009, no wages paid to the single member of an LLC, L3C, or QSub are considered to be "wages" for state unemployment compensation purposes. As such, effective with the filing of the first quarter of 2009 and subsequent Quarterly Wage and Contribution C-101 reports, **only the wages paid to employees** of a LLC, L3C, or QSub shall be reported.

We apologize for any inconvenience our incorrect January 12, 2009 notice may have caused. If you have further questions, please contact the Employer Services Unit at 802 828-4344 between the hours of 7:45 a.m. and 4:30 p.m., Monday through Friday, Eastern Standard Time.